

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 7148**

**BILL NUMBER: SB 479**

**DATE PREPARED:** Jan 2, 2002

**BILL AMENDED:**

**SUBJECT:** City of Marion Food and Beverage Tax.

**FISCAL ANALYST:** Chris Baker

**PHONE NUMBER:** 232-9851

**FUNDS AFFECTED:** X GENERAL  
DEDICATED  
FEDERAL

**IMPACT:** State & Local

| LOCAL IMPACT            | CY 2002 | CY 2003 | CY 2004 |
|-------------------------|---------|---------|---------|
| Local Revenues          | 322,800 | 684,100 | 724,800 |
| Local Expenditures      |         |         |         |
| Net Increase (Decrease) | 322,800 | 684,100 | 724,800 |

**Summary of Legislation:** This bill authorizes the city of Marion to establish a Food and Beverage Tax to provide property tax replacement credits on inventory and other business personal property to taxpayers in the city.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:** The Department of State Revenue (DOR) administers, audits, and collects local food and beverage taxes. For the year 2000, the Department administered, audited, and collected the Food and Beverage Tax at a cost of approximately \$0.48 per \$100 of revenue. The DOR's current resources are sufficient to absorb the additional costs associated with this proposal.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** If the city of Marion adopts an ordinance for the imposition of the Food and Beverage Tax, the city of Marion Treasurer would be required to establish the County Food and Beverage Tax Property Tax Replacement Fund (CFBT-PTRF). The city of Marion Auditor would be charged with the responsibility of depositing revenue received from the Marion Food and Beverage Tax into the CFBT-PTRF. Upon adoption, the city of Marion would be able to use Food and Beverage Tax revenue only

for the purpose of providing additional property tax replacement credits to replace property taxes on business personal property imposed by taxing units in the city of Marion.

**Explanation of Local Revenues:** This bill allows the city of Marion to adopt a 1% tax on food and beverages prepared and served for sale in the city of Marion. The estimated revenues are **\$322,800** for CY 2002, **\$684,100** for CY 2003, and **\$724,800** for CY 2004.

*Background:* According to the most recent U.S. Census data, total food and beverage sales in Grant County for CY 1997 were \$65,208,000. Based on this amount, the 1% Food and Beverage Tax would have generated an additional \$652,080, or 1% of the total sales. Before projecting future revenues, this figure must be adjusted to reflect sales of prepared foods (such as those sold in supermarkets) which would be subject to the proposed tax but are not included in the Census data. In order to account for these prepared foods, an additional 10% adjustment to the \$652,080 projection is added to establish a CY 1997 baseline of \$717,300 for Grant County.

The average growth rate of food and beverage-related total sales in Grant County reported by the U.S. Census Bureau from CY 1992 to CY 1997 was approximately 5.9%. This rate was used to project sales of food and beverages through CY 2004.

Approximately 67% of all food and beverage sales in Grant County are attributable to the city of Marion. This percentage is applied to the calendar year totals for Grant County to provide estimates for the city of Marion.

The effective date of the bill is upon passage. As a result, the city of Marion could begin receiving revenue from food and beverage sales as early as the third quarter of CY 2002. A three-month lag is applied from the effective date of the bill to account for the county to pass an ordinance and then set up the mechanisms necessary to begin receiving revenue. The estimated impact for CY 2002 would be one-half of the annual projection, or **\$322,800**. Complete year collection would begin in CY 2003.

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:** The City of Marion.

**Information Sources:** U.S. Census Bureau.